

Message Text

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TO AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: ETRD, UK, EEC

SUBJECT: UK TREATMENT OF KRAFT LINERBOARD

REF: LONDON 1452

1. SUMMARY - WASHINGTON AGENCIES AGREE WITH EMBASSY'S
ASSESSMENT THAT WE ARE HEADED TOWARD IMPASSE ON DUTIES
APPLIED TO US KRAFT LINERBOARD AND THAT PRAGMATIC SOLUTION
SHOULD BE SOUGHT. API CONCURS. BRITISH EMBASSY HAS BEEN
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ENCOURAGING ON POSSIBILITY OF OBTAINING TEMPORARY SUSPEN-

SION OF DUTIES AS PROPOSED BY EMBASSY. WITHOUT GIVING WAY ON PRINCIPLE THAT WE CONSIDER WE ARE ENTITLED TO THE LOWER OF THE DUTY RATES APPLIED TO KRAFT LINERBOARD BY THE UK, UNDER ARTICLE XXIV:6 AGREEMENT AND UK KENNEDY ROUND CONCESSION, WE ARE PREPARED TO SEEK TEMPORARY SUSPENSION OF DUTY IN EFFORT TO AVOID HAVING THIS BECOME A CONTENTIOUS POLITICAL ISSUE. END SUMMARY.

2. WE HAVE NO RECORD OF AN AGREEMENT ON A DEFINITION OF KRAFT LINERBOARD DURING THE ARTICLE XXIV:6 NEGOTIATIONS. RECOLLECTION OF PARTICIPANTS IS THAT TECHNICAL DISCUSSIONS RELATED PRIMARILY TO DEFINITIONAL ASPECTS OTHER THAN PERCENTAGE OF SULPHATE CELLULOSE FIBER, I.E. "BURSTING STRENGTH". LACK OF RECORD DOES NOT AFFECT OUR POSITION THAT IT WAS THE UNDERSTANDING OF OUR NEGOTIATORS THAT THE UK DUTY ON AMERICAN KRAFT LINERBOARD WOULD BE ALIGNED FROM 10 PERCENT TO THE RATE NEGOTIATED FOR THE COMMON EXTERNAL TARIFF. THIS WAS TARIFF TREATMENT BEING ACCORDED THE AMERICAN PRODUCT AT THE TIME OF THE XXIV:6 NEGOTIATIONS, AS WELL AS EARLIER. ALL PARTICIPANTS IN THE NEGOTIATIONS WERE AWARE OF THE GREAT IMPORTANCE THE US ATTACHED TO SATISFACTORY AGREEMENT ON TARIFF TREATMENT APPLIED TO KRAFT LINERBOARD.

3. WE AGREE WITH EMBASSY THAT IN EXISTING SITUATION BOTH SIDES CAN CONTINUE TO ARGUE THEIR RESPECTIVE POSITIONS WITHOUT A TIMELY RESOLUTION OF THIS ISSUE. THEREFORE, RATHER THAN CONFINING OURSELVES TO TECHNICAL ASPECTS, WE ARE WILLING TO ACCEPT A PRAGMATIC SOLUTION THAT WILL EASE SEVERE COMPETITIVE DISADVANTAGE AMERICAN KRAFT LINERBOARD EXPORTERS FACE VIS-A-VIS SCANDINAVIANS.

4. WE ARE CONCERNED THAT IF SOLUTION IS NOT FOUND SOON THERE IS POSSIBILITY THAT COMPLAINTS TO THE CONGRESS FROM THE INDUSTRY, WHICH IS UNDER INCREASING ECONOMIC PRESSURES, COULD DEVELOP INTO A CONTENTIOUS POLITICAL ISSUE. THIS WOULD CALL INTO QUESTION THE VALIDITY OF THE ARTICLE XXIV:6 AGREEMENT SINCE KRAFT LINERBOARD IS SUCH AN IMPORTANT ELEMENT OF FINAL SETTLEMENT. DEPT. OF TRADE APPARENTLY SHARES OUR CONCERN THAT THIS NOT HAPPEN. BRITISH LIMITED OFFICIAL USE

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EMBASSY HAS ALSO INDICATED TO US THAT DOT IS PREPARED TO SEEK A PRAGMATIC SOLUTION THROUGH A TEMPORARY SUSPENSION OR MODIFICATION OF DUTY.

5. AFTER DISCUSSING WITH AMERICAN PAPER INSTITUTE REPRESENTATIVE (MEISTER), WASHINGTON AGREES EMBASSY SHOULD ASK HMG TO TAKE NECESSARY STEPS TO OBTAIN PARLIAMENTARY ORDER TO TEMPORARILY SUSPEND OR MODIFY TARIFF PROVISION

SO AS TO APPLY THE SAME LOWER (CURRENTLY 10.4 PERCENT) MFN DUTY TO ALL CLASSES OF KRAFT LINERBOARD UNTIL JULY 1, 1977 WHEN UK RATES WILL BE FULLY ALIGNED WITH THE CXT AND ALL KRAFT LINERBOARD DUTIABLE UNDER 48.01 CII. IN MAKING REQUEST, EMBASSY SHOULD STRESS IMPORTANCE THE US ATTACHES TO SATISFACTORY RESOLUTION OF PROBLEM PROMPTLY. IT SHOULD MAKE CLEAR THAT WE PREFER PRAGMATIC SOLUTION IN EFFORT TO AVOID ESCALATION OF PROBLEM BUT THAT THIS APPROACH SHOULD IN NO WAY BE INTERPRETED AS A CHANGE IN US POSITION CONCERNING PRINCIPLES INVOLVED. FAILING A PRAGMATIC SETTLEMENT, USG IS PREPARED TO PURSUE THIS ISSUE WITH EC COMMISSION WHICH NEGOTIATED ARTICLE XXIV:6 AGREEMENT AND, IF NECESSARY, IN THE GATT.

6. EMBASSY IS REQUESTED, AS SOON AS POSSIBLE, TO INFORM

US OF EXACT PROCEDURES TO BE FOLLOWED, E.G. TIMING, WHO TAKES THE INITIATIVE, NATURE OF A HEARING IF ANY, ETC. WE ALSO WOULD APPRECIATE SUGGESTIONS IF WE OR API CAN HELP TO MOVE PROCESS TO A SUCCESSFUL CONCLUSION.

7. UK EMBASSY (TOM SHARP) HAS RAISED KRAFT LINER ISSUE WITH US SUGGESTING THAT IT WOULD EASE DOT EFFORTS TO SEEK AN ORDER FOR A MODIFICATION OF DUTY IF THE US WERE WILLING TO MAKE A SIMILAR GESTURE. SPECIFICALLY, SHARP ASKED FOR USG REVIEW OF US CUSTOMS DETERMINATION THAT HOVERCRAFT IS A VESSEL WITHIN TERMS OF THE JONES ACT AND THUS NOT ELIGIBLE FOR IMPORT FOR USE IN US COASTAL OR INLAND WATERS. IF, AND ONLY IF, THIS SUGGESTION RAISED WITH EMBASSY, YOU SHOULD REPLY ALONG FOLLOWING LINES WHICH IS REPLY WE HAVE GIVEN TO SHARP. WE ARE NOT PREPARED TO LINK THE KRAFT LINER ISSUE WITH OTHER ISSUES. WE ARE PREPARED, HOWEVER, TO REVIEW INDEPENDENTLY THE HOVERCRAFT LIMITED OFFICIAL USE

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ISSUE IF AND WHEN REQUESTED TO DO SO BY A US LICENSEE (E.G. BELL AEREO SYSTEMS) OF THE UK MANUFACTURER (HOVERCRAFT DEVELOPMENT LTD).

8. IN ANY DISCUSSION OF A LINKAGE OF KRAFT LINER ISSUE TO OTHER TRADE ISSUES BETWEEN THE US AND THE UK YOU MIGHT APPROPRIATELY NOTE THAT LARGELY AT UK'S URGING WE HAVE UNILATERALLY ISSUED A REVISED NOTICE OF PROPOSED RULE-MAKING ON COMPRESSED GAS CYLINDERS MANUFACTURED OUTSIDE THE US. THE NOTICE PROPOSES AN AMBNDMENT TO ALLOW FOREIGN MANUFACTURERS TO APPLY TO THE DEPARTMENT OF TRANSPORTATION FOR AUTHORIZATION TO HAVE CYLINDERS INSPECTED AND TESTS VERIFIED OUTSIDE THE US BY AN APPROVED INDEPENDENT INSPECTION AGENCY. CYLINDERS MANUFACTURED AND INSPECTED OUTSIDE THE US IN ACCORDANCE WITH ALL APPROPRIATE

REQUIREMENTS WOULD BE ACCEPTABLE FOR USE IN TRANSPORTA-
TION WITHIN THE US. PROPOSED EFFECTIVE DATE IS MAY 1,
1976. COMMENTS ARE NOW BEING ACCEPTED BY DOT AFTER WHICH
IT WILL DECIDE WHETHER OR NOT TO PUT THE NEW REGULATIONS
INTO EFFECT. KISSINGER

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Message Attributes

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